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Mr. Chairman, members of the Subcommittee, it is a pleasure to appear before you this morning with Under Secretary Eizenstat and Under Secretary Schumacher to discuss the Administrations efforts to provide greater access for U.S. agricultural exports in two key markets: China and the European Union (EU).

As you know, I returned just last week from China – my second trip to China in three weeks -- where we were engaged in intensive negotiations over the agriculture portion of China's effort to join the World Trade Organization, and I will be pleased to give you an update on these negotiations. I will also update the Subcommittee on the biotechnology issue and our trade with the EU.

China and the EU are markets that are absolutely critical to the future of U.S. agriculture. The EU is our third largest regional export market and China (including Honk Kong) holds the number four position. Combined agricultural exports to these two markets last year were $12.5 billion, or just over one-fifth of the value of total U.S. agricultural, fish and forestry exports.

Market access issues are critical for both countries. China's market potential is vast. We are seeking substantial improvements in market access as part of the WTO accession negotiations. While the EU market is more mature and developed than China's, market access remains an important concern. The EU's Common Agricultural Policy is an impediment to U.S. farm exports, and other U.S. agricultural commodities, such as beef and genetically engineered products, face considerable barriers to access into the EU.

Integrating China into the World Economy

Six years ago, in his remarks to the first APEC Leaders Meeting in Seattle, President Clinton spoke of a Pacific Community that would grow in the next century and fulfill the hopes of the region's people -- for prosperity; for education and scientific progress; for health, environmental quality and the dignity of work; for the quest for peace.

China is an integral part of the President's vision, a vision that greatly benefits U.S. agriculture. A China that is a full, commercial member of the international trading community means a market of greater opportunity for U.S. agriculture.

China is already the world's largest importer of soybean meal and soybean oil, and the U.S. had record or near-record sales of both commodities to China last year. China is also the world's largest producer and consumer of most meat products. But trade accounts for a very small share of

the livestock economy. Government policies have severely limited the exposure to world markets. In the past decade, a strategy of grain self-sufficiency limited the growth of domestic livestock production, while a strategy of meat self-sufficiency restricted imports of livestock products. Clearly, U.S. agriculture can benefit from more open grain and livestock markets in China.

Just as the Pacific community cannot prosper without a growing, deregulated Japan, neither can it reach its full potential without an open and integrated China. Consider how damaging was China's economic isolation in the 1950's and 1960's. For nearly forty years, China's economy was almost entirely divorced from the outside world. The consequent loss of foreign markets and investment impoverished China at home, and meant that Asia's largest nation had little stake in prosperity and stability. Every Pacific nation felt the consequences not only in economics and trade but in peace and security.

With a continuing commitment to reform within China, this has begun to change. The next century may see a China more fully integrated into the modern world. A China that helps ensure peace and security and a China that plays its rightful part in building prosperity for its own people and its neighbors. Together with the integration of Russia, this is an opportunity which means as much for the next century as the return of Germany and Japan to the world economy meant for the postwar era.

Very high formal and informal trade barriers are a consequence of China's position outside of the world trading system. For example, its agricultural standards are based on bureaucratic fiat rather than science, and monopoly state trading enterprises can manipulate agricultural imports despite strong internal demand. Likewise, China's neighbors have only limited access to an economy which could be an engine of growth today and in the future.

China's membership in the WTO, on commercially meaningful grounds, is in our interest and in China's. Broadly speaking, WTO principles -- transparency, openness, public and enforceable commitments -- will help China's government strengthen the rule of law and create sustainable long-term growth. And the specific market access and other reforms WTO accession requires from China are no less than what other WTO members -- including many of the least developed countries -- have already done.

Let me now address specifically my talks, and those of Ambassador Barshefsky, with Chinese officials on greater integration of China into the world trading system.

We are beginning to see some progress in our negotiations on WTO accession, including in the agricultural sector. Two weeks ago, Ambassador Barshefsky met with China's senior leadership and those responsible for WTO accession. During those meetings, China demonstrated a greater appreciation of what constitutes a commercially meaningful agreement for the United States, and in particular, for our agricultural sector. While I cannot get into the details of those ongoing negotiations, clearly, China now understands that market access for agricultural products is essential for any WTO accession agreement. Much more remains to be accomplished – in agriculture, for industrial products, and in services. But we are now engaged in a more substantial negotiation where the details have been and will be critical.

As part of these negotiations, I met last week with Chinese officials to discuss how to resolve some of the longstanding bilateral sanitary and phytosanitary issues affecting our citrus, wheat, and meat exports. As many of you know, we have been trying to resolve these nettlesome issues for many years. We have repeatedly emphasized that we cannot conclude a WTO accession package without resolution of these specific sanitary and phytosanitary barriers to our exports. Achieving market access and reductions in tariffs are meaningless if we have not eliminated these sanitary and phytosanitary restrictions.

While we have not resolved these outstanding issues, we have made more progress in the last few weeks that in the last several years. But we are still far from reaching what you and our agricultural groups would consider adequate. For example, for wheat, the current ban on imports from the Pacific Northwest must be fully removed so that we can ship wheat from that region to China. For citrus, we must work out a protocol and work plan so that we can legally ship citrus to China. As many of you know from your trips to China, our citrus products can be found in nearly every food store and stall in China, largely the result of smuggling. For meat, the United States has one of the best meat inspection systems in the world which should be the basis on which China should be able to allow imports of U.S. meats, as other countries do.

Our negotiators are continuing to work to resolve these issues. We will continue to be clear and resolute about all of the requirements China must meet in order for it to join the world trading community.

The Promise of Biotechnology

Mr. Chairman, I know that you and members of the Subcommittee are also keenly following developments in Europe concerning genetically modified organisms or GMO's. The future role of biotechnology in world agricultural trade as well as the fate of hundreds of millions of dollars in U.S. exports may well rest on how we and the EU address this issue.

Not since the Green Revolution of the 1960's when high-yielding wheat and rice varieties were developed that increased harvests in Asia by 2, 5 and even 10 fold have technological advances had the potential to so affect world agricultural trade. Agricultural products produced with biotechnology hold tremendous promise for U.S. and global food producers and consumers. Biotechnology holds the key to achieving global food security, establishing sustainable agricultural sectors in developing countries, meeting environmental concerns, and helping U.S. farmers and ranchers maximize market returns.

But along with these opportunities we also face major challenges. While biotechnology is generally accepted by consumers and governments in many overseas markets, there is tremendous resistance in Europe, from consumers who fear for the safety of their food, and from governments that have turned away from scientific principles in evaluating biotechnology.

We of course respect any country's right to high standards for food safety and environmental

protection; we also reserve that right to maintain the safety of the U.S. food supply and the environment. We support the right of countries to maintain a credible domestic regulatory structure with food safety standards that are transparent, based on scientific principles, and provide for a clear system of government oversight process in a timely fashion for the products of biotechnology. Such a structure is critical for the acceptance of these products in the global marketplace. But we must ensure that consumer and policy debate about the safety and benefits of biotechnology is one based on scientific principles and not fear and protectionism.

The Challenge of Europe

Many of our trading partners recognize the benefits of biotechnology, and we are developing increasingly close ties at the technical level, for example, with Canada. Nonetheless, we face a tremendous challenge in Europe.

The EU is still struggling to decide what regulatory system to have in place. Unfortunately, the EU has experienced complicating factors that have made the whole regulatory process unusually difficult. The public lack of confidence in scientific judgments started with the outbreak of bovine spongiform encephalopathy (BSE) or mad-cow disease, which undermined public trust in food safety. This lack of trust grew as groups opposed to biotech products succeeded in arousing consumer fears, bringing pressure to bear on European politicians. All this was compounded by the lack of an established institutional review process at the EU level that could provide a better foundation for public assurance and confidence in the safety of these products.

The abundant scientific evidence on biotechnology makes the problems we are having with the EU on this issue all the more frustrating. We have repeatedly told EU officials at the highest levels of the need for a workable and timely regulatory system for the products of biotechnology.

Nor are we are alone in our frustration. The Transatlantic Business Dialogue--a group of U.S. and European businesses–has on more than one occasion expressed concern over the EU's slow regulatory process and offered recommendations on how to improve the process. We have also seen concern in Canada over the length of time it takes for the EU to approve genetically-modified canola varieties.

While we have to date avoided serious interruptions of our farm trade with Europe, most recently last summer following intervention by the President and Vice President with their counterparts in the French Government, the problem of an inadequate regulatory process remains, and with it the lack of a solid base from which to build and maintain consumer confidence in the products of biotechnology.

We face two compelling and complicated problems in Europe: the effective collapse of the EU's regulatory process for new genetically engineered plants and an incomplete and unworkable food labeling regulation for foods containing genetically modified corn and soybeans.

The EU Approval Process. It has been nearly one year since a plant variety produced through

biotechnology has passed through the EU's approval process – called the 90/220 process. On its face, the 90/220 regulation lays out a specific approval process for the environmental release of new GMOs. The process begins with approval in an EU member state, followed by a scientific review at the Community level in Brussels and concluding with a time-specific period for all member states to raise scientific concerns or questions prior to a vote by all member states.

In practice, the 90/220 process has proven to be susceptible to political interference, non-transparent and virtually endless in duration. Scientific reviews that take months in the United States are measured in years under 90/220. Member states have increasingly acted outside of the 90/220 procedures, most recently just last month when the original sponsoring member state for two GMO varieties of cotton failed to vote in favor of final EU approval because of concerns outside of the 90/220 process. There is now a significant number of member states that are effectively unable to participate in the 90/220 process due to a variety of reasons.

The European Commission recognizes the difficulties with 90/220, and has proposed amendments to improve the process. However, it is likely that these amendments will take up to two years or more to be adopted.

Our goal is not to set the rules for the EU, but rather to insist on a process that is timely, transparent, and based on science.

Labeling. We are likewise very concerned, as are many U.S. exporters, about EU regulations adopted this past September which require the labeling of foods containing GMO corn or soybeans. These regulations focus on how a food was produced rather than on whether the use of biotechnology has changed its quality, safety or nutritional composition.

The costs to producers and consumers of labeling regulations that are confusing, impractical, and time consuming will be immense as will be the potential for ongoing trade disputes and disruption. Again, we have communicated our position clearly and directly to EU officials and also within the WTO, where we have presented detailed written comments to the Committee on Technical Barriers to Trade.

The European Commission is still filling the gaps of its labeling regulation as regards testing procedures, de minimus levels and product exemptions. We expect the Commission to publish amendments shortly to the labeling regulation, and we will work closely with U.S. exporters in reviewing these amendments.

It is obvious that U.S. agriculture cannot sit back and wait for a positive turn of events in Europe. Last month the first meeting of the U.S.-EU Biotechnology Group under the umbrella of the Transatlantic Economic Partnership was held in Washington. We intend to use the Biotechnology Group to identify and address regulatory issues that are limiting trade in the agricultural products of biotechnology.

At the meeting, the United States proposed a pilot project for the simultaneous application

for environmental approval of a genetically engineered plant variety in the United States and an EU member state. Our hope is, of course, to speed up the approval process in Europe through increased contacts between regulators. Our proposal is based on a similar agreement between USDA/APHIS and the Canadian Food Inspection Agency. We are awaiting a response from the European Commission to our proposal.

We also used this meeting to raise our very strong concerns about the general inadequacy of the 90/220 process and the specific actions taken by some member states that we believe lie clearly outside of the procedures of 90/220. Commission representatives were aware of these concerns, and have received similar complaints from the biotechnology industry in Europe. We are hopeful that the Commission will act to influence member state actions. But we realize that if successful, this will be only a short-term fix, and we will continue to push for fundamental improvements in the EU's biotechnology regulatory process.

Our message to the EU and our other trading partners remains unchanged: we must focus on scientific principles as the guidepost in guaranteeing food safety.

We also realize that as long as attention on both sides of the Atlantic is centered on a politically-charged debate over food safety and science, we threaten not only today's bilateral trade levels and the promise of future trade liberalization, but also the availability of an abundant and safe food supply for a growing world population.

Mr. Chairman, I would be happy to answer the Subcommittee's questions at this time.